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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. 08- \_\_\_\_ (\_\_\_\_)  
et al., :  
:  
Debtors. : Jointly Administered  
- - - - - x

**MOTION OF DEBTORS FOR ORDER PURSUANT TO 11 U.S.C.  
§§ 105(a), 363 AND 364 AND FED. R. BANKR. P. 6003  
(I) AUTHORIZING MAINTENANCE OF EXISTING BANK ACCOUNTS,  
(II) AUTHORIZING USE OF EXISTING BUSINESS FORMS,  
(III) AUTHORIZING USE OF EXISTING CASH MANAGEMENT SYSTEM,  
(IV) AUTHORIZING INTERCOMPANY TRANSACTIONS AND (V)  
GRANTING SUPERPRIORITY STATUS TO INTERCOMPANY CLAIMS**

The debtors and debtors in possession in the  
above-captioned cases (collectively, the "Debtors")<sup>1</sup>

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<sup>1</sup> The Debtors and the last four digits of their respective

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hereby move (the "Motion") for entry of an order (the "Order"), pursuant to sections 105, 363 and 364 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 6003 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), (i) authorizing, but not directing, continued maintenance of existing bank accounts, and authorizing a waiver of certain operating guidelines relating to bank accounts, (ii) authorizing, but not directing, continued use of existing business forms, (iii) authorizing, but not directing, continued use of existing cash management system, (iv) authorizing, but not directing, intercompany transactions among the Debtors, and (v) granting superpriority administrative claim status to all postpetition intercompany claims. In support of the Motion, the Debtors rely upon and

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*(cont'd from previous page)*

taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

fully incorporate by reference Declaration of Bruce H. Besanko, Executive Vice President and Chief Financial Officer of Circuit City Stores, Inc., in Support of Chapter 11 Petitions and First Day Pleadings (the "Besanko Declaration"), filed with the Court concurrently herewith. In further support of the Motion, the Debtors respectfully represent:

#### **JURISDICTION AND VENUE**

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a), 363 and 364. Such relief is warranted pursuant to Bankruptcy Rule 6003.

#### **BACKGROUND**

3. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code. The factual background regarding the Debtors, including

their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Besanko Declaration, filed concurrently herewith and fully incorporated herein by reference.<sup>2</sup>

4. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

5. No trustee or examiner has been appointed in these chapter 11 cases, and no committees have yet been appointed or designated.

#### **RELIEF REQUESTED**

6. By this Motion, the Debtors seek entry of an order, pursuant to Bankruptcy Code sections 105(a), 363 and 364 (a) authorizing, but not directing, maintenance of existing bank accounts, and authorizing a waiver of certain operating guidelines relating to bank accounts set forth in the U.S. Department of Justice, Office of the United States Trustee: Guidelines for Debtors-in-Possession (the "U.S. Trustee Guidelines") as

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Besanko Declaration.

adopted by the Office of the United States Trustee for the Eastern District of Virginia (the "U.S. Trustee"), (b) authorizing, but not directing, continued use of existing business forms, (c) authorizing, but not directing, continued use of existing cash management system, (d) authorizing, but not directing, intercompany transactions among the Debtors, and (e) granting superpriority administrative claim status to all postpetition intercompany claims arising from intercompany transactions.

#### **BASIS FOR RELIEF**

##### **A. The Debtors Should Be Granted Authority To Maintain Their Existing Bank Accounts.**

7. The U.S. Trustee has established the U.S. Trustee Guidelines for debtors in possession in order to supervise the administration of chapter 11 cases. The U.S. Trustee Guidelines require chapter 11 debtors to, among other obligations, (a) close all existing bank accounts and open new debtor in possession bank accounts for which the signature cards shall indicate that the debtor is a "Chapter 11 Debtor-in-Possession"; (b) establish a new payroll account; and (c) maintain

any funds in excess of the amount required for current operations in an interest-bearing account. These requirements are designed to draw a clear line of demarcation between prepetition and postpetition transactions and operations and prevent the inadvertent postpetition payment of prepetition claims. Pursuant to Bankruptcy Code sections 105(a) and 363, the Debtors seek a waiver of these requirements and authorization to continue using their existing bank accounts.

8. Prior to the commencement of these chapter 11 cases, in the ordinary course of their business, the Debtors maintained throughout the country and Puerto Rico approximately forty-five (45) bank accounts out of which they manage cash receipts and disbursements (the "Bank Accounts"). A list of the Bank Accounts is attached to the Order as Exhibit A.

9. Additionally, the Debtors maintain eight (8) investment accounts (the "Investment Accounts") to maximize returns on unused cash assets by adhering to the following four objectives: (1) preserve principal; (2) meet liquidity needs; (3) deliver a suitable return in relation to the objectives and market conditions; and

(4) avoid inappropriate investment concentrations.

Given the Debtors' current financial condition, the Debtors utilize only one of the Investment Accounts.

The Remaining Investment Accounts remain open, but the Debtors do not currently hold any investments therein.

A list of the Debtors Investment Accounts is attached to the Order as Exhibit B.

10. The Prepetition Credit Facility. Prior to the Petition Date, the Debtors entered into a credit agreement and related documents (collectively the "Loan Documents") with Bank of America, N.A., as agent (the "Agent") for a revolving credit facility (the "Prepetition Credit Facility"), which was secured by, among other assets, the Debtors' inventory and accounts and proceeds thereof. Pursuant to the Prepetition Credit Facility, absent certain circumstances, the Debtors were authorized to use their Bank Accounts and pay down the Prepetition Credit Facility in the ordinary course of business.

11. However, as a result of certain events that occurred prior to the Petition Date, the Agent exercised its authority under the Loan Documents and

took control over the Debtors' Bank Accounts. In furtherance of its rights, the Agent directed the Debtors and their banks to implement procedures whereby all funds held in the Debtors' Bank Accounts are swept daily by the Agent and applied to outstanding amounts under the Prepetition Credit Facility. As a result of these measures, the Debtors' prepetition cash management system changed shortly before these cases were commenced.

12. The Primary Concentration Accounts. The Debtors' United States cash management system is centralized around two concentration Bank Accounts - one at Wachovia Bank (the "Wachovia Concentration Account") and one at Bank of America (the "Bank of America Funding Concentration Account"). As discussed more fully herein, nearly all income and expenses flow through these two accounts.

13. United States Store Bank Accounts. Of the Bank Accounts, approximately six (6) are concentrated store deposit accounts into which cash and check sale proceeds are deposited (the "Store Deposit Accounts") from operations in all fifty United States.

14. Credit Card Account. Additionally, the Debtors maintain one Bank Account into which certain credit card sale proceeds are deposited (the "Credit Card Account"). The Credit Card Account is maintained at Fifth Third Bank and receives credit card receipts from VISA, MasterCard and Discover transactions for processing.

15. Additionally, the Debtors accept payment from their customers using AMEX, but receipts generated through AMEX transactions are not deposited into a separate bank account. Instead, as discussed below, AMEX processes the transactions directly.

16. Finally, the Debtors accept payment from their customers using two Circuit City labeled credit cards: (1) a Circuit City private label credit card for use only at the Debtors stores, website and toll-free call center; and (2) a Circuit City VISA credit card for use with the Debtors, as well as at any other merchant that accepts VISA transactions (together, the "Circuit City Credit Cards"). All transactions with Debtors' for which payment is made using either Circuit City Credit Card are processed through Chase Bank, N.A.

(collectively with VISA, MasterCard, Discover and AMEX, the "Credit Card Processors"). Like AMEX transactions, receipts from Circuit City Credit Card transactions are not deposited in a separate bank account.

17. Remaining United States Bank Accounts.

The remaining Bank Accounts utilized by Debtors for the United States operations are either disbursement accounts (including employee benefits, trade, operating, bank fees, and payroll related accounts), concentration accounts, or other sales' receipts accounts.

18. Puerto Rico Accounts. Three (3) of the Bank Accounts serve to manage the Debtors' cash receipts and disbursements from their operations in Puerto Rico (the "PR Accounts").

19. The Debtors believe that all of the Bank Accounts are in financially stable banking institutions. In addition, the Debtors believe that all of the Bank Accounts are in banking institutions with FDIC insurance (up to an applicable limit, if any, per Debtor per financial institution), except with respect to the Investment Accounts and the PR Accounts, which the Debtors believe are not subject to FDIC insurance.

20. The Debtors seek a waiver of the U.S. Trustee's requirement that the prepetition Bank Accounts be closed and that new postpetition bank accounts be opened. If enforced in these cases, such a requirement would cause enormous disruption in the Debtors' business and would impair the Debtors' efforts to reorganize and pursue other alternatives to maximize the value of their estates. Indeed, as explained in more detail below, the Bank Accounts comprise an established cash management system that the Debtors need to maintain in order to ensure smooth collections and disbursements in the ordinary course.

21. Accordingly, in order to avoid delays in payments to administrative creditors, to ensure as smooth a transition into chapter 11 as possible with minimal disruption, and to aid in the Debtors' efforts to complete these cases successfully and rapidly, the Debtors must be permitted to continue to maintain their existing Bank Accounts and, if necessary, open new and close existing accounts, wherever needed, whether or not such banks are designated depositories in the Eastern District of Virginia.

22. In other cases of this size and nature, it has been recognized that the strict enforcement of bank account closing requirements does not serve the rehabilitative purposes of chapter 11. Accordingly, this Court, and others, have waived such requirements and replaced them with alternative procedures that provide the same protections. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (Bankr. E.D. Va. Oct. 17, 2007); In re Storehouse, Inc., Case No. 06-11144 (Bankr. E.D. Va. Sept. 20, 2006); In re Rowe Furniture, Inc., Case No. 06-11143 (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (Bankr. E.D. Va. Sept. 20, 2006).

23. In sum, subject to a prohibition against honoring prepetition checks without specific authorization from this Court, the Debtors request that the Bank Accounts and Investment Accounts be deemed to be debtor in possession accounts and that their maintenance and continued use, in the same manner and with the same account numbers, styles, and document forms as those employed during the prepetition period, be authorized.

24. The Debtors represent that if the relief requested in this Motion is granted, they will not pay, and each of the banks at which the Bank Accounts are maintained will be directed not to pay, any debts incurred before the Petition Date, other than as authorized by this Court.

**B. The Debtors Should Be Granted Authority To Continue To Use Existing Business Forms And Checks.**

25. In order to minimize expenses to their estates, the Debtors also seek authorization to continue using all correspondence, business forms (including, without limitation, letterhead, purchase orders, and invoices), and checks existing immediately prior to the Petition Date, without reference to the Debtors' status as debtors in possession.

26. Most parties doing business with the Debtors undoubtedly will be aware of the Debtors' status as debtors in possession as a result of the notoriety of these cases, the press releases issued by the Debtors, and additional other press coverage. Moreover, each of the Debtors' vendors will receive direct notice of the commencement of these cases.

27. Changing correspondence and business forms would be expensive, unnecessary, and burdensome to the Debtors' estates and disruptive to the Debtors' business operations and would not confer any benefit upon those dealing with the Debtors. For these reasons, the Debtors request that they be authorized to use existing checks and business forms without being required to place the label "Debtor In Possession" on each.

28. This Court has routinely granted the same or similar relief to chapter 11 debtors. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (Bankr. E.D. Va. Oct. 17, 2007); In re Storehouse, Inc., Case No. 06-11144 (Bankr. E.D. Va. Sept. 20, 2006); In re Rowe Furniture, Inc., Case No. 06-11143 (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (Bankr. E.D. Va. Sept. 20, 2006).

**C. The Debtors Should Be Authorized To Continue To Use The Existing Cash Management System.**

29. The cash management procedures utilized by the Debtors constitute ordinary, usual, and essential business practices and are similar (and in some

instances more elaborate) to those used by other major corporate retail enterprises. The cash management system facilitates cash forecasting and reporting, monitors collection and disbursement of funds, reduces administrative expenses by facilitating the movement of funds and the development of more timely and accurate balance and presentment information, and administers the various bank accounts required to effect the collection, disbursement, and movement of cash.

**(1) The Cash Management System - Sales and Receipts**

30. United States Sales and Receipts. The Debtors' cash management system is funded primarily by receipts received from the Debtors' retail stores, which are deposited into various Store Deposit Accounts, wired to the Wachovia Concentration Account, and, ultimately, swept to the Agent for application against amounts outstanding under the Prepetition Credit Facility. Additional receipts are received from, among other sources, the Debtors' website -- [www.circuitcity.com](http://www.circuitcity.com), the Debtors' toll-free call center -- 1-800-THE-CITY, other third party websites, and real property sublessees.

All such additional receipts are ultimately transferred to the Wachovia Concentration Account and thereafter swept by the Agent.

31. As discussed above, the Debtors maintain six (6) Store Deposit Accounts. The Deposit Accounts are maintained at Wells Fargo Bank, Regions Bank, Chase Bank, American Savings Bank, Bank of America and Wachovia Bank and are funded with cash and check sale proceeds from the Debtors' stores.

32. Upon receipt of cash and check sale proceeds, such proceeds are maintained and managed at each store pending transition to armored car services for subsequent delivery to the banks at which the Store Deposit Accounts are maintained or, in some instances, local vaults. During the non-peak shopping season, the armored cars receive proceeds at least three (3) times per week. During the peak shopping season, the frequency is increased to at least four (4) times per week.

33. After the proceeds are deposited in the Store Deposit Accounts, funds in the Store Deposit Accounts are wired to the Wachovia Concentration Account

on a daily basis pursuant to standing wire instructions. At the end of each day, the Wachovia Concentration Account is swept by the Agent.

34. Puerto Rico Sales and Receipts. All store receipts in the form of cash and checks are deposited into one Bank Account with Banco Popular (the "PR Store Deposit Account"). The PR Store Deposit Account is a zero balance account; all funds in this account are swept daily into a second account -- a concentration account -- also with Banco Popular (the "PR Concentration Account"). In addition, all credit card receipts from all Credit Card Processors are deposited daily into the PR Concentration Account. Thereafter, also on a daily basis, the Agent sweeps the concentration account and applies all swept funds against amounts outstanding under the Prepetition Credit Facility.

35. United States Credit Card Receipts. The Debtors also generate sale proceeds through credit card transactions in-store, online and call center transactions. These transactions are processed by the Credit Card Processors on a daily basis. With respect

to Circuit City Credit Cards and AMEX transactions, Chase and AMEX process their respective credit card receipts and, on a daily basis, wire such proceeds to the Wachovia Concentration Account, which amounts deposited therein are in turn swept by the Agent daily. With respect to all other Credit Card Processors, credit card proceeds from United States operations are processed and first deposited into an account at Fifth Third Bank. Thereafter, the proceeds are wired to the Wachovia Concentration Account and, in turn, swept by the Agent daily.

36. Other Online Sales and Receipts. In addition to store, online and call center sales, the Debtors offer customers (i) certain products available on third party websites and (ii) third party products through links from the Debtors' website. Proceeds from sales offered over the internet are deposited directly into one of three (3) Bank Accounts -- two with Wachovia Bank and one with Fifth Third Bank. The Fifth Third account and one Wachovia account are zero balance accounts; all funds deposited in the accounts are automatically swept daily into the Wachovia

Concentration Account. The other Wachovia account functions much like a zero balance account, except that because funds are not received in the account daily, transfers are initiated by the Debtors only upon receipt of funds. In either instance, ultimately, the receipts are swept by the Agent and applied to the Revolving Credit Facility.

37. Other Receipts. The Debtors also receive proceeds the following products and services: (1) bounties -- commissions - from sales of certain products offered by, among other third parties, DIRECT TV and Verizon; (2) corporate bulk sales; (3) product repairs on account of manufacturers' warranties; (4) other third party product repair services; (5) real property subleases; and (5) other miscellaneous products and services. Proceeds from these products and services are sent directly to one of four Bank Accounts with Wachovia Bank. Three of the accounts are zero balance accounts from which receipts are swept daily into the Wachovia Concentration Account. The remaining account, which is used for the receipt of sublessee rent payments, is monitored for activity and funds are transferred to the

Wachovia Concentration Account as they are received. Ultimately, all amounts are swept by the Agent and applied against amounts due under the Revolving Credit Facility.

(2) **The Debtors' Cash Management System - Disbursements.**

38. United States Disbursements. In addition to the Bank Accounts discussed above, the Debtors maintain two additional concentration accounts and various disbursement accounts. All of these accounts are directly or indirectly funded from the Bank of America Funding Concentration Account. The Bank of America Funding Concentration Account is funded daily by the Agent after receipt from the Debtors' of the amount necessary to fund obligations that will be presented to the Banks where the disbursement accounts are located.

39. The Debtors' other concentration accounts are maintained at (i) Bank of America (the "BoFA Payroll Concentration Account"), and (ii) Sun Trust Bank.

40. The BoFA Payroll Concentration Account is utilized to fund all payroll obligations. This concentration account is linked to a payroll

disbursement account. Both the BofA Payroll Concentration Account and the disbursement account are zero balance accounts. The BofA Payroll Concentration Account is funded by wire transfer from the Bank of America Funding Concentration Account. Upon presentment of payroll checks issued on or direct deposit transfers initiated from the disbursement account, funds sufficient to cover such checks or direct deposits are automatically transferred from the BofA Payroll Concentration Account to disbursement account and the checks are paid or the direct deposits are funded.

41. The Debtors also maintain a concentration account (the "Sun Trust Concentration Account") and disbursement account at Sun Trust Bank to fund the majority of general operating expense payables. The Sun Trust Concentration Account is funded by wire transfer from the Bank of America Funding Concentration Account. Upon presentment of checks issued on the disbursement account, funds sufficient to cover such checks are automatically transferred from the Sun Trust Concentration Account to disbursement account and the checks are paid.

42. The Debtors also maintain an account with Citizens Bank for purposes of paying customers' rebates. The company's customer rebates are handled by a third party vendor, Parago. This account is funded daily for the amount of checks that are presented for clearing.

43. The Debtors' remaining disbursement accounts are utilized for a variety of purposes.

44. In particular, the Debtors maintain four additional disbursement accounts at Bank of America. Through periodic wire transfers to these accounts, the Debtors fund payroll and ministerial expenses associated with their operations in Hong Kong, China and Taiwan.

45. All other disbursement accounts are used for (i) payments to vendors for merchandise and merchandise parts, (ii) merchandise service through Firedog or otherwise, (iii) Empire Blue medical claims, (iv) payments to other benefits' providers, (v) supplies, including signage, bags and paper products, for stores and headquarters, (vi) general operations at their corporate headquarters, (vii) tax payments, (viii) corporate expenses, and (ix) other corporate expenses. In some instances, these accounts are funded through

wire transfers from the Bank of America Funding Concentration Account and, if necessary, in the second instance a sub-concentration account at Bank of America. In all other instances, the accounts function like many of the Debtors' other zero balance disbursement accounts in that funds are transferred to these accounts in amounts sufficient and at times necessary to satisfy checks presented thereon.

46. Puerto Rico Disbursements. All disbursements (other than payroll) related to the Debtors' operations in Puerto Rico, including, without limitation, supply and vendor disbursements, are drawn on PR Concentration Account. Payroll obligations are drawn on separate account, also with Banco Popular. This account is a zero balance account and functions like many of the Debtors' other zero balance disbursement accounts in that funds are automatically transferred from the Bank of America Funding Concentration Account to the disbursement account in amounts sufficient and at times necessary to satisfy checks presented thereon.

- (3) The Debtors' cash management system is maintained in the ordinary course of business and is beneficial to the Debtors and their estates.**

47. As detailed above, the Debtors' cash management system is highly automated and computerized. This allows the Debtors to manage centrally all of their cash flow needs and includes the necessary accounting controls to enable the Debtors, as well as creditors and the Court, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable. The Debtors will continue to maintain detailed records reflecting all transfers of funds.

48. The cash management procedures that the Debtors use constitute ordinary, usual, and essential business practices and are similar to those used by other major corporate enterprises. The cash management system benefits the Debtors in significant ways, including the ability to (i) control corporate funds centrally, (ii) ensure availability of funds when necessary, and (iii) reduce administrative expenses by facilitating the movement of funds and the development

of more timely and accurate balance and presentment information.

49. In furtherance of this goal, the Debtors request that all banks at which the Bank Accounts are maintained (the "Banks") be authorized and directed to continue to administer the Bank Accounts as such accounts were maintained prepetition, without interruption and in the usual and ordinary course, and to pay any and all checks, drafts, wires, or electronic funds transfers presented, issued, or drawn on the Bank Accounts on account of a claim arising on or after the Petition Date so long as sufficient funds are in said Bank Accounts.

50. The Debtors further request that the Banks be restrained from honoring any check, draft, wire, or electronic funds transfer presented, issued, or drawn on the Bank Accounts on account of a prepetition claim unless (i) authorized in an order of this Court, (ii) not otherwise prohibited by a "stop payment" request received by the Banks from the Debtors, and (iii) supported by sufficient funds in the Bank Account in question.

51. To effectuate the foregoing, the Debtors request that the Banks be authorized and directed to honor all representations from the Debtors as to which checks should be honored or dishonored. To the extent that the Debtors have directed that any prepetition checks be dishonored, they reserve the right to issue replacement checks to pay the amounts related to such dishonored checks consistent with the orders of this Court.

52. The operation of the Debtors' business requires that the cash management system continue during the pendency of these chapter 11 cases. Requiring the Debtors to adopt a new, segmented cash management system at this early and critical stage of these cases would be expensive, would create unnecessary administrative problems, and would likely be much more disruptive than productive. Any such disruption could have an adverse impact upon the Debtors' ability to reorganize.

53. Moreover, pursuant to the Debtors' prepetition credit facility, the Debtors' are required to maintain their present cash management system to

secure significant components of the Agent's collateral and allow the Agent to execute daily account sweeps.

54. Allowing the Debtors to utilize their prepetition cash management system is entirely consistent with applicable provisions of the Bankruptcy Code.

55. In particular, this Court has the authority to grant the requested relief pursuant to its equitable powers under section 105(a) of the Bankruptcy Code. Section 105(a) provides, in relevant part, that the Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

56. Indeed, bankruptcy courts routinely permit chapter 11 debtors to continue using their existing cash management system, generally treating requests for such relief as a relatively "simple matter." In re Baldwin-United Corp., 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987); see also In re Columbia Gas Sys., Inc., 136 B.R. 930, 934 (Bankr. D. Del. 1992) (recognizing that an integrated cash management system "allows efficient utilization of cash resources and

recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash"), aff'd in part and rev'd in part, 997 F.2d 1039 (3d Cir. 1993), cert. denied. sub nom. Official Comm. of Unsecured Creditors v. Columbia Gas Transmission Corp., 510 U.S. 1110 (1994).

57. This Court has granted substantially similar relief in other large chapter 11 cases. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (Bankr. E.D. Va. Oct. 17, 2007); In re Storehouse, Inc., Case No. 06-11144 (Bankr. E.D. Va. Sept. 20, 2006); In re Rowe Furniture, Inc., Case No. 06-11143 (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (Bankr. E.D. Va. Sept. 20, 2006). The Debtors respectfully submit that such relief should be granted here.

**D. The Debtors Should Be Authorized To Continue Intercompany Transactions.**

58. As described above, the Debtors' cash management system streamlines operations, creates efficiencies, enhances corporate controls, and saves the expense associated with running a separate cash

management system for each member of the corporate enterprise. In the ordinary course of the Debtors' respective businesses, the Debtors and the Non-Debtor Subsidiaries have provided a number of services to and engaged in intercompany transactions with each other (collectively, the "Intercompany Transactions"). The Intercompany Transactions cover a variety of items, depending on the entity, including (without limitation) dividends and intercompany payables and/or receivables. The Intercompany Transactions are reflected in the individual entities' books.

59. This Court may grant the relief requested herein under sections 105(a) and 363(b) of the Bankruptcy Code. Section 105(a) grants broad authority to bankruptcy courts to enforce the provisions of the Bankruptcy Code under equitable common law doctrines, providing, in relevant part, that "[t]he court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of this title."

11 U.S.C. § 105(a). Section 363(b)(1) of the Bankruptcy Code authorizes the trustee to use property of the

estate other than in the ordinary course of business after notice and a hearing. 11 U.S.C. § 363(b)(1).

60. Courts have held that "there must be some articulated business justification" for using, selling, or leasing property out of the ordinary course of business "before the bankruptcy judge may order such disposition under section 363(b)." Committee of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F. 2d 1063, 1070 (2d. Cir. 1983); see also The Dai-Ici Kangyo Bank Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.), 242 B.R. 147, 153 (D. Del. 1999) ("In determining whether to authorize the use, sale or lease of property of the estate . . . courts require the debtor to show that a sound business purpose justifies such actions"). In evaluating whether a sound business purpose exists, "courts consider a variety of factors which essentially represent a business judgment test." Id. (internal quotations and citations omitted).

61. Although the Debtors and the Non-Debtor Subsidiaries routinely engaged in Intercompany Transactions prior to the Petition, out of an abundance

of caution, the Debtors seek the relief requested herein. In the event Court authority is necessary, the Debtors believe that continuing the Intercompany Transactions is in their business judgment because, among other reasons discussed herein, the Intercompany Transactions reduce the Debtors' administrative costs and facilitate the satisfaction of the Debtors' obligations and are integral to the Debtors' and the Non-Debtor Subsidiaries' daily operations.

62. Accordingly, the Debtors request authority to continue the Intercompany Transactions postpetition<sup>3</sup> and submit that continuation of the Intercompany Transactions is an exercise of their sound business judgment and is in the best interests of the Debtors' estates and their creditors.

63. Courts frequently have authorized debtors to continue their prepetition intercompany funding

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<sup>3</sup> Because the Debtors engaged in the Intercompany Transactions on a regular basis prior to the Petition Date and such transactions are common for enterprises such as the Debtors, the Debtors believe that such transactions are ordinary course within the meaning of Bankruptcy Code section 363(c)(1), and thus do not require the Court's approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such transactions.

practices after commencement of chapter 11 cases. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (Bankr. E.D. Va. Oct. 17, 2007); In re Storehouse, Inc., Case No. 06-11144 (Bankr. E.D. Va. Sept. 20, 2006); In re Rowe Furniture, Inc., Case No. 06-11143 (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (Bankr. E.D. Va. Sept. 20, 2006).

**E. Intercompany Claims Should Be Afforded Superpriority Status Under Bankruptcy Code Section 364(c)(1).**

64. To ensure that each individual Debtor will not fund the operations of another entity at the expenses of such Debtor's creditors, the Debtors request that all claims arising from Intercompany Transactions (the "Intercompany Claims") against a Debtor by another Debtor arising after the Petition Date be accorded superpriority administrative expense status, subject and subordinate only to other valid liens in existence as of the Petition Date or granted pursuant to a post-petition debtor in possession financing facility. If Postpetition Intercompany Claims are accorded superpriority status, pursuant to section 364(c)(1), each individual Debtor on whose behalf another Debtor

has utilized funds or incurred expenses will continue to bear ultimate repayment responsibility, thereby protecting the interests of each Debtor's creditors.<sup>4</sup>

65. Accordingly, the Court should grant superpriority administrative expense status to the Intercompany Claim.

66. This Court and other courts have granted the same or similar relief in other large chapter 11 cases. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (SSM)(Bankr. E.D. Va. Oct. 17, 2007); In re Dura Auto. Sys., Inc., No. 06-11202 (KJC) (Bankr. D. Del. Nov. 20, 2006); In re J.L. French Auto. Castings, Inc., Case No. 06 10119 (MRW) (Bankr. D. Del. Mar. 9, 2006).

**F. The Debtors Will Incur Immediate and Irreparable Harm If They Are Not Permitted To Continue To Use Their Cash Management System and Continue Intercompany Transactions.**

67. The relief requested is also warranted under Bankruptcy Rule 6003, which provides:

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<sup>4</sup> Nothing herein constitutes a request to validate the nature or amount of any Intercompany Transaction or Intercompany Claim, whether arising prepetition or postpetition.

Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 20 days after the filing of the petition, grant relief regarding the following: . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition, but not a motion under Rule 4001.

Fed. R. Bankr. P. 6003.

68. No court within the Fourth Circuit has interpreted the "immediate and irreparable harm" language in the context of Bankruptcy Rule 6003 in any reported decision.<sup>5</sup> However, the Fourth Circuit Court of Appeals has interpreted the same language in the context of preliminary injunctions. In that context, irreparable harm has been interpreted as a continuing harm that cannot be adequately redressed by final relief on the merits and for which money damages cannot provide adequate compensation. See, e.g., Hughes Network Systems, Inc. v. Interdigital Communications Corp., 17

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<sup>5</sup> Although there is not direct authority concerning Bankruptcy Rule 6003 in the Fourth Circuit, at least one bankruptcy court, applying Bankruptcy Rule 6003, concluded that first-day relief in a similar context was warranted because such relief was necessary to avoid irreparable harm. See In re First NLC Fin. Servs., LLC, 382 B.R. 547, 549-50 (Bankr. S.D. Fla. 2008) (holding that Rule 6003 permits entry of retention orders on an interim basis to avoid irreparable harm).

F.3d 691, 694 (4th Cir. 1994). Further, the harm must be shown to be actual and imminent, not speculative or unsubstantiated. See, e.g., Scotts Co. v. United Industries Corp., 315 F.3d 264, 283, (4th Cir. 2002) (citing Direx Israel, Ltd. v. Breakthrough Medical Corp., 952 F.2d 802, 812 (4th Cir. 1991)).

69. To the extent that the requirements of Bankruptcy Rule 6003 are applicable to the relief requested in the Motion, the Debtors submit that for the reasons already set forth herein, the relief requested in this Motion is necessary to avoid immediate and irreparable harm as defined by the Fourth Circuit Court of Appeals.

70. Accordingly, the Court should allow the for the continued use of the Debtors' cash management system and Intercompany Transactions requested herein.

#### **NOTICE**

71. Notice of this Motion will be given to:  
(i) the Office of the United States Trustee for the Eastern District of Virginia; (ii) counsel to the agent for Debtors' postpetition lenders; (iii) counsel to the agent for the Debtors' prepetition lenders; (iv) the

Debtors' top fifty (50) largest unsecured creditors on a consolidated basis; and (v) the Banks. The Debtors submit that, under the circumstances, no other or further notice of the Motion is required.

**WAIVER OF MEMORANDUM OF LAW**

72. Pursuant to Local Bankruptcy Rule 9013-1(G), and because there are no novel issues of law presented in the Motion and all applicable authority is set forth in the Motion, the Debtors request that the requirement that all motions be accompanied by a separate memorandum of law be waived.

**NO PRIOR REQUEST**

73. No previous request for the relief sought herein has been made to this Court or any other court.

**CONCLUSION**

WHEREFORE, the Debtors respectfully request that the Court enter an Order, substantially in the form attached hereto, granting the relief requested in the Motion and such further relief as may be just and proper.

Dated: November 10, 2008  
Richmond, Virginia

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Proposed Counsel to the Debtors  
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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA

- - - - - X  
In re: : Chapter 11  
:   
CIRCUIT CITY STORES, INC., : Case No. 08-  
et al., :   
: Jointly Administered  
Debtors. :   
- - - - - X

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 363 AND FED. R. BANKR. P. 6003 (I) AUTHORIZING CONTINUED MAINTENANCE OF EXISTING BANK ACCOUNTS, (II) AUTHORIZING CONTINUED USE OF EXISTING BUSINESS FORMS, (III) AUTHORIZING CONTINUED USE OF EXISTING CASH MANAGEMENT SYSTEM, (IV) AUTHORIZING INTERCOMPANY TRANSACTIONS AND (V) GRANTING SUPERPRIORITY CLAIM STATUS TO ALL POSTPETITION INTERCOMPANY CLAIMS**

Upon the motion (the "Motion")<sup>1</sup> of the Debtors  
for an Order, pursuant to Bankruptcy Code sections 105

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

and 363 and Bankruptcy Rule 6003, (i) authorizing, but not directing, continued maintenance of existing bank accounts, and authorizing a waiver of certain operating guidelines relating to bank accounts, (ii) authorizing, but not directing, continued use of existing business forms, (iii) authorizing, but not directing, continued use of existing cash management system, (iv) authorizing, but not directing, intercompany transactions among the Debtors, and (v) granting superpriority administrative expense claim status to all postpetition intercompany transactions; and upon the Besanko Declaration; and due and sufficient notice of the Motion having been given under the particular circumstances; and it appearing that no other or further notice need be provided; and it appearing that the relief requested by the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and after due deliberation thereon and sufficient cause appearing therefor, it is hereby

**ORDERED, ADJUDGED, AND DECREED that:**

1. The Motion is GRANTED as provided herein.

**A. Maintenance of Bank Accounts.**

2. Pursuant to sections 105 and 363 of the Bankruptcy Code, the Debtors are authorized and directed

to (i) designate, maintain, and continue to use any and all of their respective store depository, credit card depository, other depository, concentration, disbursement, payment, operating, and other accounts (collectively, the "Prepetition Bank Accounts") in existence as of the Petition Date, with the same account numbers, including the accounts identified in Exhibit A annexed hereto; (ii) if necessary, open new accounts wherever they are needed, whether or not such banks are designated depositories in the Eastern District of Virginia (such new accounts, together with the Prepetition Bank Accounts, hereinafter the "Bank Accounts"); and (iii) treat the Bank Accounts for all purposes as accounts of the Debtors in their capacity as debtors in possession; provided, however, that the Debtors may only open new Bank Accounts with Banks that agree to be bound by the terms of this Order and, in particular, the Debtors' cash management system.

**B. Use of Business Forms.**

3. The Debtors are authorized to continue to use their existing business forms and checks without alteration or change and without the designation "Debtor in Possession" or a "debtor in possession case number"

imprinted upon them. To the extent the Debtors open or close bank accounts, they shall provide notice to the United States Trustee and the pre- and post-petition lenders. Any new check stock used by the Debtors shall contain the designation "Debtor in Possession".

**C. Cash Management System.**

4. The Debtors are authorized and directed to continue to use their existing cash management system and shall maintain through the use thereof detailed records reflecting all transfers of funds under the terms and conditions provided for by the existing agreements with the institutions participating in the Debtors' cash management system, except as modified by this Order. In connection with the ongoing utilization of their cash management system, the Debtors shall continue to maintain records with respect to all transfers of cash so that all transactions may be readily ascertained, traced, and recorded properly.

5. After the Petition Date, and subject to the terms of this Order, all Banks at which the Bank Accounts are maintained are authorized and directed to continue to administer the Bank Accounts as such accounts were maintained prepetition, without

interruption and in the usual and ordinary course, and to pay any and all checks, wire transfers, electronic funds transfers, or other items presented, issued, or drawn on the Bank Accounts; provided, further, that the Bank Accounts shall be administered in accordance with the Debtors' obligations under debtor-in-possession financing facility (the "DIP Facility") such that, unless otherwise agreed to by the Debtors' postpetition lenders, all amounts shall be upstreamed daily to Bank of America for application against the Debtors' postpetition obligations under and in accordance with the DIP Facility; provided, however, that unless otherwise ordered by the Court, no checks, drafts, electronic funds transfers (excluding any electronic funds transfer that the banks are obligated to settle), or other items presented, issued, or drawn on the Bank Accounts prior to the Petition Date shall be honored.

6. Each Bank that maintains a disbursement account shall implement reasonable handling procedures designed to effectuate the terms of this Order. No Bank that implements such handling procedures and then honors a prepetition check or other item drawn on any account that is the subject of this Order either (i) at the

direction of the Debtors to honor such prepetition check or item, (ii) in the good-faith belief that the Court has authorized such prepetition check or item to be honored, or (iii) as a result of a good faith error made despite implementation of such handling procedures, shall be deemed to be liable to the Debtors or their estates or otherwise in violation of this Order.

7. Subject to the provisions of this Order, the Banks are authorized and directed to honor all representations from the Debtors as to which checks should be honored or dishonored.

8. To the extent applicable, the Court finds and determines that the requirements of Bankruptcy Rule 6003 are satisfied and that the relief requested is necessary to avoid immediate and irreparable harm.

**D. Intercompany Transactions.**

9. The Debtors and the Non-Debtor Subsidiaries are authorized to continue to engage in Intercompany Transactions necessary to execute the cash management system and manage the day-to-day operations of their businesses, and the Debtors and the Non-Debtor Subsidiaries shall continue to maintain records with respect to all transfers of cash (including pursuant to

10. Pursuant to section 364(c)(1) of the Bankruptcy Code all Intercompany Claims arising from Intercompany Transactions between and among the Debtors and the Non-Debtor Subsidiaries after the Petition Date shall be accorded priority over any and all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject and subordinate only to (i) other valid liens in existence as of the Petition Date or granted in connection with any post-petition debtor in possession financing granted by this Court and (ii) liens and superpriority administrative expenses granted to the prepetition lenders as adequate protection.

11. The Debtors are hereby authorized to execute any additional documents incident to the relief granted pursuant to this Order.

12. Notwithstanding Rule 6004 of the Federal Rules of Bankruptcy Procedure (to the extent applicable), this Order shall be effective and enforceable immediately upon entry hereof.

13. The Debtors shall serve a copy of this Order on all of the Banks within five (5) business days of the entry of this Order.

14. The requirement under Local Bankruptcy Rule 9013-1(G) to file a memorandum of law in connection with the Motion is hereby waived.

15. This Court retains jurisdiction to hear and determine all matters arising from or related to the implementation interpretation of this Order.

Dated: Richmond, Virginia  
November 10, 2008

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UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

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Dion W. Hayes (VSB No. 34304)  
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Proposed Counsel to the Debtors  
and Debtors in Possession

**CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)**

I hereby certify that notice of the Debtors' intent to seek entry of the foregoing proposed order was provided to the parties identified in the Motion and copy of this proposed order was provided to the Office of the United States Trustee for the Eastern District of Virginia prior to submission to this Court.

/s/ Douglas M. Foley

**EXHIBIT A**

**(List of Deposit Accounts)**

**Exhibit A**  
**List of Bank Accounts**

<b>Bank</b>	<b>Debtor</b>	<b>Account Number</b>	<b>Purpose</b>
American Savings Bank <b>Attn:</b> Mel Yamamoto 677 Ala Noana Blvd. Honolulu, HI 96813 Tel: (808) 539-7811 Fax: (808) 531-0277	Circuit City Stores, Inc.	xxxxxx6380	Store Depository
AmSouth/Regions <b>Attn:</b> Dawn Smith 1900 5 <sup>th</sup> Avenue, North 23 <sup>rd</sup> Floor Birmingham, AL 35203 Tel: (205) 264-5222 Fax: (205) 307-4130	Circuit City Stores, Inc.	xxxxxx3210	Store Depository
Banco Popular <b>Attn:</b> Amarilis Ginnes 209 Ponce de Leon Ave. Popular Center Building, Floor 6 Hato Rey, Puerto Rico 00917 Tel: (787) 765-9800 (ext. 5800) Fax: (787) 756-5055	Circuit City Stores Puerto Rico LLC	xxxxx5139	Operating Account
		xxxxx5120	Depository Account
		xxxxx5147	Payroll Account
Bank of America <b>Attn:</b> Jay Norris 101 South Tryon Street Charlotte, NC 28255 Tel: (704) 387-3035  Circuit City Global Sourcing Accounts <b>Attn:</b> Darlene Holtz 201 East Washington	Circuit City Stores, Inc.	xxxxxx9967	Store Depository
		xxxxxx3301	Credit Facility Funding Account (Z-line)
		xxxxxx5447	Sky Venture Account
		xxxxxxxx1020	Circuit City Global Sourcing U.S. Dollar Account
		xxxxxxxx1012	Circuit City Global Sourcing HK Dollar Account

Bank	Debtor	Account Number	Purpose
Collier Center, 22nd Fl Phoenix, AZ 85004 Tel: (602) 523-2141 Fax: (701) 388-0959		xxxxxxxx1038	Circuit City Global Sourcing HK Dollar PC Account
		xxxxxxxx2036	Circuit City Global Sourcing TW Dollar Account
	Circuit City Stores West Coast, Inc.	xxxxxx0844	Circuit City Datamailer (Payroll)
		xxxxxx1029	Concentration Account for Payroll Paychecks
		xxxxxx1034	Operating Account
		xxxxxx7748	Payroll Account (ZBA)
Chase <b>Attn:</b> Christie Donahue 50 Rowes Wharf, 4 <sup>th</sup> Floor Boston, MA 02110 Tel: (617) 310-0766	Circuit City Stores, Inc.	xxxxx7244	Store Depository
		xxxxx0266	Empire Blue Cross/Payment of Medical Claims
FifthThird Bank <b>Attn:</b> Tom Galbo 114 Anderson Farm Ct. Charlotte, NC 28117 Tel: (704) 662-9490 Fax: (704) 892-1026	Circuit City Stores, Inc.	xxxx6916	Credit Card
Suntrust <b>Attn:</b> Donna Smith 919 East Main St., 22 <sup>nd</sup> Floor Richmond, VA 23219 Tel: (804) 782-7557 Fax: (804) 782-5566	Circuit City Stores, Inc.	xxxxxx3706	Concentration Account
		xxxxxx6660	E/P Disbursement
Wachovia <b>Attn:</b> Parshant Dhiman 301 South Tryon Street, NC 5710 Charlotte, NC 28288-0013 Tel: (704) 383-0803 Fax: (704) 805-7171	Circuit City Stores, Inc.	xxxxxxxx5100	Store Depository
		xxxxxxxx9620	American Express Credit Card
		xxxxxxxx4767	Corporate Jet Account
		xxxxxxxx9993	Deposit Account
		xxxxxxxx9858	Tourmalet Corp. - LLC Tax Payments
		xxxxxxxx9528	Ventoux International - Holding Company Tax Payments, Intercompany Interest
		xxxxxxxx0950	Lockbox

Bank	Debtor	Account Number	Purpose
		xxxxxxxx4038	Direct Deposit Payroll Settlement
		xxxxxxxx5191	Empire Blue Cross
		xxxxxxxx7073	Extended Service Contract Warranty Payments
		xxxxxxxx4528	Fifth Third Bankcard
		xxxxxxxx3099	Fifth Third Check Collection – gift card purchases over the web with gift cards
		xxxxxxxx8908	HFC third party financing sales commissions
		xxxxxxxx1509	Main Concentration/Operating Account
		xxxxxxxx6031	Music Payables
		xxxxxxxx9175	Purchasing Co., LLC Main Operating Account
		xxxxxxxx0992	Purchase Co., LLC Purchase EP disbursement
		xxxxxxxx1107	Reverse Affiliates Lockbox
		xxxxxxxx1048	Sales Receivables Lockbox
		xxxxxxxx6044	Service Payables
		xxxxxxxx2189	Payments from Sublease Tenants
		xxxxxxxx9133	Trading Circuits – internet sales of merchandise not sold in stores
Wells Fargo <b>Attn:</b> Ryan Carlson MAC N9305-052, 6 <sup>th</sup> & Marquette Minneapolis, MN 55479 Tel: (612) 667-9566 Fax: (612) 344-1001	Circuit City Stores, Inc.	xxxxxxxx6733	Vendor Disbursements
		xxxxxxx4672	Store Depository

**EXHIBIT B**

List of Investment Accounts

<b>Bank</b>	<b>Debtor</b>	<b>Account Number</b>
Bank of America/CRP Securities, LLC  <b>Attn:</b> Laura Bynum 600 Peachtree St. NE 4 <sup>th</sup> Floor Atlanta, GA 30308 Tel: (404) 607-4943 Fax: (404) 607-6624	Circuit City Stores, Inc.	xx7458
Fifth Third Securities, Inc.  <b>Attn:</b> J.B. Ward 38 Fountain Square Plaza Cincinnati, OH 45263 Tel: (513) 534-3072 Fax: (513) 579-6246	Circuit City Stores, Inc.	xxxxxx9774
J.P. Morgan Securities, Inc.  <b>Attn:</b> James M. Griffin 270 Park Ave. 8 <sup>th</sup> Floor New York, NY 10117 Tel: (212) 834-2300 Fax: (212) 332-4617	Circuit City Stores, Inc.	xx2526

Bank	Debtor	Account Number
Merrill Lynch Global Institutional Advisory Division  <b>Attn:</b> Scott Dorsey 100 Jericho Quadrangle P.O. Box 787 Jericho, NY 11753 Tel: (516) 827-3283 Fax: (516) 935-5330	Circuit City Stores, Inc.	xxxx07Z07
RBC Dain Rauscher  <b>Attn:</b> Paul Kitzinger 100 Second Ave. South Suite 800 St. Petersburg, FL 33701 Tel: (727) 502-3634	Circuit City Stores, Inc.	xxxxxxxxxx1817
UBS Financial Services, Inc.  <b>Attn:</b> Steven Hayden 33 South 6 <sup>th</sup> Street Suite 3737 Minneapolis, MN 55402 Tel: (612) 371-4129 Fax: (612) 371-4117	Circuit City Stores, Inc.	xxxx3160

Bank	Debtor	Account Number
Wachovia Bank & Securities  <b>Attn:</b> Eddie Tugman One Wachovia Center NC 0602 Charlotte, NC 28288 Tel: (704) 374-4164 Fax: (704) 374-3375	Circuit City Stores, Inc.	xxxx9008